

AMENDED IN ASSEMBLY JULY 1, 2008  
AMENDED IN ASSEMBLY JUNE 5, 2008  
AMENDED IN ASSEMBLY SEPTEMBER 7, 2007  
AMENDED IN ASSEMBLY JULY 2, 2007  
AMENDED IN ASSEMBLY JUNE 19, 2007  
AMENDED IN SENATE MAY 2, 2007  
AMENDED IN SENATE APRIL 11, 2007

**SENATE BILL**

**No. 1012**

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**Introduced by Senator Kehoe**  
(Principal coauthor: Assembly Member Salas)

February 23, 2007

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 1012, as amended, Kehoe. Electricity: self-generation incentive program.

~~Under~~

(1) *Under* existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations *and gas corporations, as defined*. Existing law requires the ~~commission~~ PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2012, a self-generation incentive program for distributed generation resources. The program is applicable to all eligible technologies, as determined by the ~~commission~~ PUC and subject

to certain air emissions and efficiency standards, until January 1, 2008, except for solar technologies, which the ~~commission~~ PUC is required to administer separately, after January 1, 2007, pursuant to the California Solar Initiative. Commencing January 1, 2008, until January 1, 2012, existing law limits eligibility for nonsolar technologies to fuel cells and wind distributed generation technologies that meet or exceed emissions standards adopted by the State Air Resources Board (*state board*). *Existing law authorizes the PUC, in administering the program, to adjust the amount of rebates, include other ultraclean and low-emission distributed generation technologies, as defined, and evaluate other public policy interests and energy efficiency and environmental interests. Pursuant to decisions of the PUC, Pacific Gas and Electric Company, Southern California Edison, and Southern California Gas Company are the Program Administrators throughout their respective service territories and the Center for Sustainable Energy is the Program Administrator for the San Diego Gas and Electric Company service territory.*

The existing California Global Warming Solutions Act of 2006 requires the State Air Resources Board (*state board*) to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990, to be achieved by 2020. Existing law prohibits any load-serving entity, as defined, and any local publicly owned electric utility, as defined, from entering into a long-term financial commitment, as defined, unless any baseload generation, as defined, complies with a greenhouse gases emission performance standard. Existing law requires the commission, in consultation with the Energy Commission and the state board, to establish a greenhouse gases emission performance standard for all baseload generation of load-serving entities.

This bill would extend until January 1, 2013, the self-generation incentive program for nonsolar distributed generation resources and requires the commission to limit the eligibility for incentives pursuant to the program to distributed generation resources that the commission determines support the state's goals for the reduction of emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006. The bill would require that combined heat and power units meet certain efficiency and emissions requirements, including the greenhouse gases emission performance standard, to receive incentives. The bill would require a customer receiving incentives for a combined heat and power unit to adequately maintain and service the unit so that

during operation, the unit continues to meet or exceed the efficiency and emissions requirements. The bill would require the commission to ensure that distributed generation resources are made available in the program for all ratepayers. The bill would require the commission to provide from existing program funds, an additional incentive of 20% ~~per watt~~ for the installation of ~~qualifying~~ eligible distributed generation resources that are manufactured in California by companies that maintain their principal place of business in California. *The bill would prohibit recovery of the costs of the program from ratepayers that participate in the California Alternative Rates for Energy (CARE) program. The bill would delete the authorization for the PUC, in administering the program, to adjust the amount of rebates and evaluate other public policy interests and energy efficiency and environmental interests.*

(2) *Existing law requires the Energy Commission, by November 1, 2008, and in consultation with the PUC and state board, to evaluate the costs and benefits of providing ratepayer subsidies for renewable and fossil fuel ultraclean and low-emission distributed generation.*

*This bill would require the Energy Commission to update its evaluation and recommendations by November 1, 2011.*

(3) *Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.*

*Because the program that is extended under the provisions of this bill are within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by creating a new crime.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~no~~-yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 379.6 of the Public Utilities Code is  
2 amended to read:

1 379.6. (a) (1) The commission, in consultation with the State  
2 Energy Resources Conservation and Development Commission,  
3 shall administer, until January 1, 2013, the self-generation incentive  
4 program for distributed generation resources originally established  
5 pursuant to Chapter 329 of the Statutes of 2000.

6 (2) The commission shall administer solar technologies  
7 separately pursuant to the California Solar Initiative adopted by  
8 the commission in Decision 06-01-024.

9 (b) Eligibility for incentives under the program is limited to  
10 distributed generation resources that the commission determines  
11 support the state's goals for the reduction of emissions of  
12 greenhouse gases pursuant to the California Global Warming  
13 Solutions Act of 2006 (Division 25.5 (commencing with Section  
14 38500) of the Health and Safety Code).

15 (c) Eligibility for the self-generation incentive program's level  
16 3 incentive category shall be subject to the following conditions:

17 (1) All combustion-operated distributed generation projects  
18 using fossil fuel shall meet an oxides of nitrogen (NO<sub>x</sub>) emissions  
19 rate standard of 0.07 pounds per megawatthour and a minimum  
20 efficiency of 60 percent. A minimum efficiency of 60 percent shall  
21 be measured as useful energy output divided by fuel input. The  
22 efficiency determination shall be based on 100 percent load.

23 (2) Combined heat and power units that meet the 60-percent  
24 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
25 emissions standard of 0.07 pounds per megawatthour. Credit shall  
26 be at the rate of one megawatthour for each 3.4 million British  
27 thermal units (Btus) of heat recovered.

28 (3) Combined heat and power units shall meet the greenhouse  
29 gases emissions performance standard established by the  
30 commission for a load-serving entity pursuant to Section 8341.

31 (4) The customer receiving incentives shall adequately maintain  
32 and service the combined heat and power units so that during  
33 operation, the system continues to meet or exceed the efficiency  
34 and emissions standards established pursuant to paragraphs (1),  
35 (2), and (3).

36 (5) Notwithstanding paragraph (1), a project that does not meet  
37 the applicable NO<sub>x</sub> emissions standard is eligible if it meets both  
38 of the following requirements:

39 (A) The project operates solely on waste gas. The commission  
40 shall require a customer that applies for an incentive pursuant to

1 this paragraph to provide an affidavit or other form of proof, that  
2 specifies that the project shall be operated solely on waste gas.  
3 Incentives awarded pursuant to this paragraph shall be subject to  
4 refund and shall be refunded by the recipient to the extent the  
5 project does not operate on waste gas. As used in this paragraph,  
6 “waste gas” means natural gas that is generated as a byproduct of  
7 petroleum production operations and is not eligible for delivery  
8 to the utility pipeline system.

9 (B) The air quality management district or air pollution control  
10 district, in issuing a permit to operate the project, determines that  
11 operation of the project will produce an onsite net air emissions  
12 benefit, compared to permitted onsite emissions if the project does  
13 not operate. The commission shall require the customer to secure  
14 the permit prior to receiving incentives.

15 (d) In determining the eligibility for the self-generation incentive  
16 program, minimum system efficiency shall be determined either  
17 by calculating electrical and process heat efficiency as set forth in  
18 Section 216.6, or by calculating overall electrical efficiency.

19 ~~(e) In administering the self-generation incentive program, the~~  
20 ~~commission may adjust the amount of rebates, include other~~  
21 ~~ultraclean and low-emission distributed generation technologies,~~  
22 ~~as defined in Section 353.2, and evaluate other public policy~~  
23 ~~interests, including, but not limited to, ratepayers, and energy~~  
24 ~~efficiency and environmental interests.~~

25 ~~(f)~~

26 (e) The commission shall ensure that distributed generation  
27 resources are made available in the program for all ratepayers.

28 ~~(g)~~

29 (f) On or before November 1, ~~2011~~ 2008, the State Energy  
30 Resources Conservation and Development Commission, in  
31 consultation with the commission and the State Air Resources  
32 Board, shall evaluate the costs and benefits, including air pollution,  
33 efficiency, and transmission and distribution system improvements,  
34 of providing ratepayer subsidies for renewable and fossil fuel  
35 “ultraclean and low-emission distributed generation,” as defined  
36 in Section 353.2, as part of the integrated energy policy report  
37 adopted pursuant to Chapter 4 (commencing with Section 25300)  
38 of Division 15 of the Public Resources Code. The State Energy  
39 Resources Conservation and Development Commission shall  
40 include recommendations for changes in the eligibility of

1 technologies and fuels under the program, and whether the level  
2 of subsidy should be adjusted, after considering its conclusions on  
3 costs and benefits pursuant to this subdivision.

4 (g) *On or before November 1, 2011, the State Energy Resources*  
5 *Conservation and Development Commission shall update the*  
6 *evaluation and recommendations prepared pursuant to subdivision*  
7 *(f).*

8 (h) In administering the self-generation incentive program, the  
9 commission shall provide an additional incentive of 20 percent  
10 ~~per watt~~ from existing program funds for the installation of  
11 ~~qualifying~~ *eligible* distributed generation resources that are  
12 manufactured in California by companies that have their principal  
13 place of business in California.

14 (i) *The costs of the program adopted and implemented pursuant*  
15 *to this section shall not be recovered from customers participating*  
16 *in the California Alternate Rates for Energy (CARE) program.*

17 SEC. 2. *No reimbursement is required by this act pursuant to*  
18 *Section 6 of Article XIII B of the California Constitution because*  
19 *the only costs that may be incurred by a local agency or school*  
20 *district will be incurred because this act creates a new crime or*  
21 *infraction, eliminates a crime or infraction, or changes the penalty*  
22 *for a crime or infraction, within the meaning of Section 17556 of*  
23 *the Government Code, or changes the definition of a crime within*  
24 *the meaning of Section 6 of Article XIII B of the California*  
25 *Constitution.*